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NFAC No. 1063-79

1 March 1979

MEMORANDUM FOR THE RECORD

FROM: John H. Holdridge
National Intelligence Officer for China

SUBJECT: Meeting of SCC Ad Hoc Working Group on China,
28 February 1979 at 1000 hours

1. The meeting convened in the White House Situation Room under the chairmanship of David Aaron. Also present were representatives of the NSC (Oksenberg), State (EA and Congressional Relations Bureaus), the White House (Congressional Relations), Defense (ISA and JCS), and CIA (DDO and NFAC). Purpose of the meeting was to consider the situation on Taiwan and in the US created by the failure of Senator Hollings to change his position against reprogramming of State funds to support the American Institution on Taiwan (AIT). (It will be recalled that in the memo covering the 23 February Working Group meeting, I noted that Deputy Assistant Secretary Sullivan felt confident Hollings would drop his opposition to reprogramming; this, in fact, has not occurred.

2. It was noted that Hollings was willing to consider reprogramming once the omnibus legislation setting up the AIT passed the Senate, but would not move until after the legislation received action on the floor -- this despite a telephone call from the President to Hollings. Senator Byrd would try to move the omnibus legislation forward quickly, but it would not reach the Senate floor before Monday, 5 March, nor in all probability be passed by the Senate until the following week at the earliest.

3. There was some discussion of the feasibility of going ahead with reprogramming without Senatorial authority, since this was possible under existing legislation if no opposition was voiced by Congress within 15 days. Although Aaron

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was initially inclined to proceed in this manner and to make it clear that Congress was responsible due to its interference in the President's foreign policy role, the decision was made not to do so. The White House Congressional Relations representative pointed out that the Administration had for years been fighting off Congressional efforts to intrude into the reprogramming area with restrictive legislation, and while we might succeed with respect to the AIT, we might find our hands tied in future situations.

4. Sullivan (State) reported that in the meantime the Embassy on Taiwan had closed down, and was no longer able to perform any functions for the public. Some apprehensions were expressed that this closure might result in anti-US riots on Taiwan which would be blamed on the President's policies. However, the consensus was that the risk of riots was very low based on the fact that martial law is in effect, civil disturbances could thus be kept under control, and the Taiwan leadership appeared to have accepted the switch from official to unofficial relations.

5. The fact was noted that despite inability on the US side to open the AIT, Taiwan's unofficial organization would open in Washington as scheduled on March 1. A number of functions involving US-Taiwan could therefore be carried on via contact between Taiwan's unofficial representatives here and David Dean, head of the AIT in Washington. The question was considered whether we would want to sign LOA's for military sales to Taiwan through this channel, but it was decided not to do so on the grounds that a temporary cut-off in military sales and shipments might put pressure on Taiwan to in turn put pressure on elements in Congress in favor of reprogramming. (In this respect, Sullivan mentioned that he had explained the particular problem we faced on arms shipments to the Taiwan representatives the preceeding evening and had been told that "they would get on it right away.") Legally speaking, however, it was feasible to sign LOA's prior to passage of the AIT legislation on the basis of the President's memorandum of 1 January declaring that for purposes of maintaining a continuing relationship with the people on Taiwan we would treat Taiwan "as a country." By waiting for the legislation to pass, the onus for a hiatus in US-Taiwan relations would rest clearly with Congress.

6. Considerable discussion then ensued on the desirability on issuing a statement describing our inability to

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open the AIT, placing the blame on those elements in Congress responsible for the situation, namely Hollings and the members of his committee, and indicating the kinds of public services which we could not now perform on Taiwan. It was ultimately decided that use could be made of a friendly newsman on the Hill to bring the situation to a public attention, with Sullivan prepared to provide background information on curtailment of services in response to any follow-up questions by the press. Pending information on the outcome of a telephone call by Senator Byrd to Hollings (now vacationing in Florida) to get Hollings to move, no effort would be made to depict him as the villain in the piece. It was observed that we want to be careful not to stir up Congressional sensitivities too much, since Congress in general was being reasonably supportive of the President's normalization policy. The Woodcock nomination, for example, passed the Senate by 82 to 9.

7. It was further decided that in our public comments on the AIT problem we would say we would do our best to maintain relations with Taiwan through what channels were available to us.

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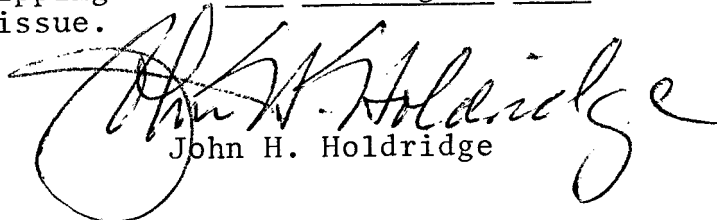
We would, nevertheless, make it plain the kinds of things we had hoped to do for American business interests and the American and Taiwan people in general would have to be suspended, with visa issuances shifted to nearby centers such as Hong Kong, Tokyo and Manila. Conceivably the absence of services to American business might result in added pressure being placed on Congress to move.

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9. Attached is a clipping from The Washington Post of March 1 reporting the AIT issue.


John H. Holdridge

Attachment:
Newspaper item

Distribution:

- Orig. - File, w/att.
- 1 - DCI, w/att.
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THE WASHINGTON POST

Thursday, March 1, 1979

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Legal Snarl, Funding Dispute Result In Severed Taiwan Ties—for Now

By Robert G. Kaiser

Washington Post Staff Writer

Because of legal complications and a squabble with Congress, the United States today has no official tie to the Republic of China on Taiwan, and no office on Taiwan to serve the 5,000 Americans there.

This is apparently the most significant practical consequence of the formal opening today of full diplomatic relations with the People's Republic of China. Beginning today, the American and Chinese "liaison offices" in Peking and Washington are full-fledged embassies.

The old U.S. embassy on Taiwan, however, is closed, and the theoretically unofficial "institute" that is meant to conduct U.S.-Taiwanese relations in future cannot open for business because Sen. Ernest F. Hollings (D-S.C.) has refused to approve a transfer of State Department funds to pay for its operations. Hollings is chairman of the Appropriations subcommittee, which oversees the State Department budget.

Hollings, who disapproves of the terms of the Carter administration's decision to "normalize" relations with the People's Republic, said yesterday he thought it was improper to transfer government funds to the new institute before Congress has authorized the existence of such an organization.

The fact that the United States must close its offices on Taiwan today "is not my problem," Hollings said. "It's their problem," he added, referring to the administration.

As a result of the closing of the embassy on Taiwan, there will be no way an American there can replace a lost passport, swear a document for use in

an American court or otherwise enjoy the protection of the U.S. government.

Also, there will be no one on Taiwan who can issue visas to Taiwanese or other foreigners to visit the United States. Even expeditious action by Congress to satisfy Hollings' complaints will not rectify this situation for at least two to three weeks, administration sources said yesterday.

The administration believes all this could have been avoided if Hollings and his subcommittee colleagues had approved a "reprogramming" of State Department funds that would have transferred about \$2 million to run the new institute.

"This is really irresponsible," one irate White House official said last night of Hollings' attitude. "This is one Carter is not going to be blamed for," the same source added.

Administration officials say they are concerned that irate Taiwanese may protest violently against the closing of the embassy, or that some serious legal problems will arise during this hiatus when the United States will have no official link to the Republic of China on Taiwan.

They say if anything like this occurs, Hollings should take the responsibility.

But Hollings declined to take any responsibility. He said yesterday that the hurry-up effort to establish a new legal basis for relations with Taiwan was entirely the administration's idea.

[From Taiwan, special correspondent Michael Kazer reported that U.S. officials there let it be known several days ago that there would be no American office open for business "for 10 days" beginning today. Embassy officials—many of whom will temporarily

"resign" from the Foreign Service to work in the new institute, once it is established—will remain in Taiwan and stay on the Foreign Service payroll.]

In another China development, the first U.S. ambassador to the People's Republic, Leonard Woodcock, was sworn in yesterday. Woodcock was confirmed by the Senate Monday, too late to reach Peking for today's official opening of relations.

At his swearing-in ceremony, Woodcock said he hoped to work for "a stable East Asia" and help build "a stable base for peace in the entire world." The 62-year-old former president of the United Auto Workers union has already spent two years in Peking as head of the U.S. liaison office.

The House Foreign Affairs Committee yesterday gave final approval to its version of legislation establishing the new legal basis for Taiwanese-American relations. The bill must now be considered by both the House and Senate.

The Senate will take up the bill Monday and could act on it within a week. The administration hopes Hollings will allow the institute to open soon thereafter.

However, a State Department official said last night that it will take a week or more to prepare the new premises of the institute in Taiwan once money is authorized.